

EXHIBIT

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Benefit Equalization Plan



The purpose of the Benefit Equalization Plan is to restore the level of retirement benefits you would receive from the MMC Retirement Plan if certain IRS limitations did not apply.

These questions and answers describe plan provisions dated as of May 10, 2006 and only include information on those significant provisions of the Benefit Equalization Plan that differ from the MMC Retirement Plan. If you terminated employment before that date, prior plan provisions will apply.

Note: This document uses a number of defined terms, highlighted in purple; go to the "Definition" section at the end of the SPD for the defined terms' definitions.

Topics you will find on this page

- Eligibility
- Formula
- Transition benefit
- Benefit Equalization Plan example
- Payment options
- Retirement benefit commencement
- Funding
- Taxes on payment

Eligibility

You are eligible if you are vested in the MMC Retirement Plan and if your eligible salary and/or MMC Retirement Plan benefit exceeds qualified plan limits.

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► Definitions

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Formula

The MMC Retirement Plan is subject to IRS limits and limits the amount of benefits that can be paid under a tax-qualified plan. The Benefit Equalization Plan, a non-qualified plan, pays benefits in excess of these limits.

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Because this Plan makes up for IRS limits, your benefit can decrease when the MMC Retirement Plan limits increase. In any event, your total benefits from the Retirement Plan and this Plan will be the same.

[Back to top](#)**Transition benefit**[More](#)

Does the transition benefit, as described in the MMC Retirement Plan, apply when calculating my benefit under the Benefit Equalization Plan?

Yes, if you are eligible for a transition benefit as described in the MMC Retirement Plan, the same transition benefit rules apply when calculating your benefit under the Benefit Equalization Plan.

Benefit Equalization Plan example[More](#)

Benefit Equalization Plan (BEP) Example:

No IRS limits on compensation (\$220,000 for 2006) apply to the Benefit Equalization Plan because it is a non-qualified plan.

Let's say you retire on January 1, 2008 (after having turned age 65 on December 15, 2007) and:

- you have 40 years of benefit service and vesting service as of December 15, 2007
- your eligible salary for each year from 2000 through 2007 is as follows:

Year	Eligible Salary
2000	220,000
2001	232,000
2002	243,200
2003	252,000
2004	258,300
2005	264,500
2006	270,000
2007	280,200

- your final average salary (highest 60 months of salary) as of December 31, 2005 is \$250,000
- your eligible salary for 2006 and 2007 are \$22,500 per month and \$23,350 per month, respectively
- you were age 50 or older and had at least 10 years of vesting service on December 31, 2005
- you are eligible for the transition benefit (which means that your accrued benefit earned before 2006 can increase based on increases in your eligible compensation after 2005); for purposes of the transition benefit, your final average salary increases from \$250,000 to \$265,000 (or by 6.0%) from January 1, 2006 to January 1, 2008
- the government-determined covered compensation amount for 2005 is \$53,268
- your benefit for service before January 1, 2006 is \$110,932 per year calculated under the MMC Retirement Plan
- your annual accruals for 2006 and 2007 are \$2,200 and \$2,250, respectively, calculated under the MMC Retirement Plan.

1.6% times \$250,000 times 30 years = \$120,000

before January 1, 2006:	1.0% times \$250,000 times 8 years = \$20,000
	Minus
	0.4% of the lesser of \$250,000 or \$53,268 (covered compensation) times 35 years = \$7,458
	Equals
	\$132,542 per year payable at age 65
	Plus
	6.0% of \$132,542 = \$7,952.52 \$132,542 plus \$7,952.52 = \$140,495 \$140,495 (6.0% reflects the special transition benefit.)
	Net of qualified MMC Retirement Plan benefit
	\$140,495 minus \$110,932 = \$29,563 per year payable at age 65
Benefit for service on and after January 1, 2006:	For 2006, 1.0% times \$22,500/month = \$225 monthly accrual (1.0% is used since benefit service is greater than 360 months.)
	12 months times \$225/month = \$2,700 annual accrual for 2006
	Net of qualified MMC Retirement Plan accrual
	\$2,700 minus \$2,200 = \$500 per year payable at age 65
	Plus
	For 2007, 1.0% times \$23,350/month = \$233.50 monthly accrual (1.0% is used since benefit service is greater than 360 months.)
	12 months times \$233.50/month = \$2,802 annual accrual for 2007
	Net of qualified MMC Retirement Plan accrual
	\$2,802 minus \$2,250 = \$552 per year payable at age 65
	Minus
	\$0 (No offset since benefit service is greater than 420 months.)
	Equals
	\$500 + \$552 - \$0 = \$1,052 per year payable at age 65 for accruals in 2006 and 2007
Total accrued BEP benefit as of January 1, 2008:	\$29,563 + \$1,052 = \$30,615 per year payable at age 65
Total accrued qualified MMC Retirement Plan benefit as of	\$110,932 + \$2,200 + \$2,250 = \$115,382 per year payable at age 65

January 1, 2008:	
Combined retirement income from qualified MMC Retirement Plan and BEP:	\$145,997 per year payable at age 65

In this example, the annual benefit from the Benefit Equalization Plan, in combination with the qualified MMC Retirement Plan is \$145,997.

Payment options

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If your age 65 monthly benefit from the Benefit Equalization Plan is \$100 or more, your Plan benefits will be paid in the same form that you elect for your tax-qualified MMC Retirement Plan benefit unless you elect otherwise. You may be able to elect to receive a portion of your benefit from the Benefit Equalization Plan as a lump sum payment.

- ▶ Making an election
- ▶ Lump sum

For benefits commencing after December 31, 2006, "specified employees" (generally a company's 50 top-paid officers) may not receive a distribution of the Benefit Equalization Plan benefit that was earned and vested after December 31, 2004, earlier than six months after retirement or termination of employment, except in the case of death.

While your election under the MMC Retirement Plan must be made within 90 days preceding benefits commencement, your election under this Plan must be on file for at least 12 months prior to the date your benefits commence.

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Retirement benefit commencement

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All retirement benefits may commence as early as age 55 after your Company employment ends. Your benefits will be paid at the end of the same month your first payment from the MMC Retirement Plan begins and will be subject to the same reduction factors for early commencement.

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Funding

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Generally, benefits under this Plan will be paid from the Company's general assets.

- ▶ Annuities purchased prior to 2003

Certain benefits earned on service prior to January 1, 2003, were funded by the purchase of annuities from various insurance companies. See "Prior Annuity Purchase" if you had a prior annuity purchase.

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Taxes on payment

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Benefits under this Plan are subject to federal, Social Security, and state and local taxes, as applicable.

- ▶ Taxes

The Plan requires that your entire Social Security tax obligation relating to your benefit under the Plan be satisfied at the time your benefits commence.

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See also

- [U.S. Retirement Program](#)
- [U.S. Retirement Program's Plan Administration Description](#)

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Lump sum

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- [Interest rate to calculate lump-sum payment](#)
- [Estimating the lump-sum equivalent of your accrued benefit](#)
- [Rolling over the lump-sum distribution](#)
- [Distribution restrictions for specified employees](#)

When payments are made

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Q If I elect the lump-sum form of payment, when will my payment be made?

A If you elect the lump-sum form of payment, your lump sum will be paid at the same time as your first payment from the Marsh & McLennan Companies Retirement Plan.

If your age 65 monthly benefit from the Benefit Equalization Plan is under \$100, a lump sum will be paid automatically at the time your employment terminates.

For your benefit that was earned and vested after December 31, 2004, go to the "Making an Election" section to review any impact of the new distribution rules imposed by Internal Revenue Code Section 409A on your ability to receive a lump sum payment.

For benefits commencing after December 31, 2006, "specified employees" (generally a company's 50 top-paid officers) may not receive a distribution of the Benefit Equalization Plan benefit that was earned and vested after December 31, 2004, earlier than six months after retirement or termination of employment, except in the case of death.

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Q How will the interest rate used in calculating the lump-sum form of payment be determined?

A The interest rate used in the calculation of the lump-sum form of payment will be based on the Moody's Aa effective annual yield for long-term corporate bonds and will be determined each calendar quarter based on a three-month average. The three months are the first two months of the prior calendar quarter and the last month of the calendar quarter prior to that. For example, for benefits commencing in January, February, or March, the rate used will be the average of September, October, and November of the prior year.

Generally, if interest rates are higher, the lump sum value will be lower. This is because you will need less money up front since that lump sum value is assumed to earn more interest. Conversely, if interest rates are lower, the lump sum value will generally be higher. This is because you need a greater up-front amount as the interest earned on that will be less.

Note: The interest rate used to calculate the lump-sum form of payment under this Plan differs from the rate used to calculate a small benefit lump sum under the MMC Retirement Plan.

[Back to top](#)**Estimating the lump-sum equivalent of your accrued benefit**[More](#)

Q How can I estimate the lump-sum equivalent of the benefit I have already accrued under the Benefit Equalization Plan?

A At the time you become eligible to commence benefits, your actual benefit will be calculated, including the lump-sum equivalent if you elect a lump-sum form of payment.

A sample lump-sum calculation is shown below:

Interest Rate	Age when Benefits Commence	Lump-Sum Factor	Lump Sum Equivalent of \$10,000/annual benefit at age 65*
5%	65	111.7941	\$1,117.94
6%	65	10.8657	\$108.66
7%	65	10.0591	\$100.59
8%	65	9.3541	\$93.54

*Assumes annual benefit payable at age 65 is \$10,000 and that election is on file for at least 12 months prior to the date benefits commence.

[Back to top](#)**Rolling over the lump-sum distribution**[More](#)

Q May I roll over the lump-sum distribution to an IRA?

- A** No. Because the Benefit Equalization Plan is not a tax-qualified plan, a lump-sum distribution cannot be rolled over to an IRA or other retirement plan eligible to receive rollovers.

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Distribution restrictions for specified employees

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- Q** Do Section 409A rules impose any limitations on distributions to "specified employees"?

- A** For Benefit Equalization Plan benefits commencing after December 31, 2006, "specified employees" (generally a company's 50 top-paid officers) may not receive a distribution of the Benefit Equalization Plan benefit that was earned and vested after December 31, 2004, earlier than six months after retirement or termination of employment, except in the case of death.

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Making an election

Regulatory guidance issued late in 2005 identifies 2006 as a transition year and provides limited relief for Benefit Equalization Plan payments commencing in 2006.

MMC reserves the right to make changes to the operating rules under Benefit Equalization Plan as MMC may determine, in its sole discretion, are necessary or desirable to maintain compliance with Section 409A and other laws. MMC intends to notify you as MMC becomes aware of any additional changes to, or clarifications of, the law or governing rules that affect your participation or benefits under the Benefit Equalization Plan.

Topics you will find on this page

- Payment election options
- When to make an election for a lump sum payment
- How to make an election
- Benefit without an election
- Lump sum election less than 12 months before benefits commence
- Lump sum election desired but earlier monthly election
- Monthly election desired but earlier lump sum election
- Distribution for spouse
- Changing your form of payment
- Determining your form of payment

Payment election options

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Q What are my payment election options?

A Payment Options if Vested Monthly Benefit Under \$100

You have no payment options available to you if the value of your accrued vested monthly benefit payable at age 65 is less than \$100. In that case, you will automatically receive an equivalent lump sum payment at termination of employment regardless of any election on file.

Payment Options if Annuities were Purchased for a Portion of your Benefit

If MMC purchased an annuity for a portion of your benefit, then you have no Benefit Equalization Plan specific payment options available to you with respect to that portion of your benefit. Pursuant to the annuity contracts purchased by the Company, the form and timing of commencement will follow your elected form and

timing for your qualified MMC Retirement Plan benefit.

Payment Options for Benefits Earned and Vested as of December 31, 2004 (as long as your total Benefit Equalization Plan monthly benefit is \$100 or more)

For the portion of benefits earned and vested as of December 31, 2004 for which no annuity has been purchased, you will be paid as monthly payments in the same form and at the same time as you elect under the Marsh & McLennan Companies Retirement Plan unless you made an election for a lump sum payment that has been on file at least 12 months at the time benefits commence.

If your election was not on file for at least 12 months at the time your benefits commence, your benefits will be distributed in a form consistent with your most recent prior election form that has been on file for at least 12 months. If no form has been on file for 12 months, your benefit will be paid as monthly payments in the same form and at the same time as you elect under the Marsh & McLennan Companies Retirement Plan.

You may also elect to change the form of your distribution from the form you would otherwise receive however, if you do so your benefits will be reduced by 6%.

Payment Options for Benefits Earned and Vested after December 31, 2004 (as long as your total Benefit Equalization Plan monthly benefit is \$100 or more)

You have no Benefit Equalization Plan specific payment options available to you with respect to this portion of your benefit in 2006. For the portion of benefits earned and vested after December 31, 2004, benefits will be paid as monthly payments in the same form and at the same time as you elect under the Marsh & McLennan Companies Retirement Plan. You do not have the option to elect this portion of your benefit in the form of a lump sum.

When to make an election for a lump sum payment [More](#)

Q When do I have to make an election under the Benefit Equalization Plan?

A You may only make a Benefit Equalization Plan specific election with respect to the portion of your benefits earned and vested as of December 31, 2004 and only if your total Benefit Equalization Plan monthly benefit is \$100 or more and only for that portion of your benefit for which no annuity has been purchased. You have no Benefit Equalization Plan specific elections available to you in 2006 with respect to the portion of your benefits earned and vested after December 31, 2004.

Generally, for your election with respect to benefits earned and vested as of December 31, 2004 to be effective, it must be on file for at least 12 months prior to the date your benefits commence. This 12-month requirement is applicable to all participants regardless of the form of distribution they choose. It is intended to avoid accelerated taxation of plan benefits for those participants who do not choose the lump sum form of payment.

If you previously completed a Benefit Equalization and Supplemental Retirement Plan Distribution Election Form and that

form has been on file at least 12 months at the time your benefits commence, that form will be deemed to apply only to the portion of your Benefit Equalization Plan benefit that was vested as of December 31, 2004. You do not need to complete a new form.

If your election form has not been on file for at least 12 months at the time your benefits commence, it will not be effective. Your benefits will be distributed in a form consistent with your most recent prior election form that has been on file for at least 12 months or, if there is no such form, it will be paid as monthly payments in the same form and at the same time as you elect under the MMC Retirement Plan.

You may elect to change the form of your Benefit Equalization Plan distribution from the form you would otherwise receive, however, if you do so, your benefits will be reduced by 6%. This reduction is consistent with existing plan terms and administrative rules which were designed based on MMC's interpretation of governing tax law.

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How to make an election

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Q How do I make an election?

A For the portion of your benefit earned and vested after December 31, 2004, you will be paid as monthly payments in the same form and at the same time as you elect under the Marsh & McLennan Companies Retirement Plan. You do not have the option to elect this portion of your benefit in the form of a lump sum.

If you wish to receive a lump-sum distribution for benefits earned and vested as of December 31, 2004, you must complete the Marsh & McLennan Companies Benefit Equalization and Supplemental Retirement Plans Distribution Election Form and return the form as the form instructs. You will be sent an acknowledgement copy of the form for your records within two business days of receipt.

Benefit without an election

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Q How is my benefit paid if I do not make an election?

A If you do not make a Benefit Equalization Plan specific election for the portion of your benefit earned and vested as of December 31, 2004, at least 12 months prior to the date your benefits commence, benefits will be paid monthly in the same form and at the same time as payments under the MMC Retirement Plan.

For the portion of your benefit earned and vested after December 31, 2004, you will be paid as monthly payments in the same form and at the same time as you elect under the Marsh & McLennan Companies Retirement Plan. You do not have the option to elect this portion of your benefit in the form of a lump sum.

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Q What if I want a lump sum election, but my Distribution Election Form has not been on file for at least 12 months before my benefits commence?

A If you would like a lump-sum distribution for benefits earned and vested as of December 31, 2004 and an election form is not on file for at least 12 months prior to the date your benefits commence, you may receive your distribution in a lump sum, although it will be subject to a 6% reduction in the lump-sum value of your plan benefits.

You do not have the option to elect the portion of your benefit earned and vested after December 31, 2004, in the form of a lump sum.

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Q What if I want a lump sum election, but I have a valid Distribution Election Form on file electing a monthly form of payment?

A If you would like a lump sum distribution for benefits earned and vested as of December 31, 2004 and an election form electing a lump sum form of payment is not on file for at least 12 months prior to the date your benefits commence, you may receive a lump sum form of payment, although it will be subject to a 6% reduction.

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Q What if I want a monthly election, but I have a valid Distribution Election Form on file electing a lump-sum form of payment?

A If you would like a monthly distribution for benefits earned and vested as of December 31, 2004 but you previously elected a lump sum on an election for which has been on file for at least 12 months and a subsequent election form electing a monthly form of payment has not been on file for at least 12 months prior to the date your benefits commence, you may receive a monthly form of payment, although it will be subject to a 6% reduction.

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Q Can I elect a distribution method for my spouse now in the event that I die before commencing benefits from the Benefit Equalization Plan?

A Your spouse may be eligible for a benefit if you have been married for at least 12 months at the time of your death. You may elect a

distribution method for your spouse in the event that you die before benefits from these plans have been paid. If no election is made for your spouse, benefits from the Benefit Equalization Plan will be paid monthly for your spouse's lifetime. Your spouse may not change your distribution election after your death.

Note: Your domestic partner is not considered your spouse.

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Changing your form of payment

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Q May I change the form of payment after my benefits commence?

A No. Once your benefits begin you may not change or revoke your election.

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Determining your form of payment

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Q How can I determine the form of payment that is right for me?

A Because many factors should be considered when electing a form of payment, you may want to seek the advice of a tax and estate planning professional to determine the best form of payment for your situation.

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Taxes

Topics you will find on this page

- Social Security tax on plan payments
- Income taxes on plan payments
- Changing withholdings
- Reported withholdings

Social Security tax on plan payments

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Q How are payments that I receive under this Plan taxed for Social Security tax purposes?

A Unlike the MMC Retirement Plan, payments received under this Plan are subject to Social Security tax.

If your benefit is paid to you in a lump sum, Social Security tax will be withheld from your lump-sum payment.

If your benefit is paid to you monthly, in order to satisfy your Social Security tax obligation you will receive your plan benefits in two parts:

- The Plan will make a lump-sum distribution at the time you elect to have benefits commence to satisfy your entire Social Security tax obligation on your Plan benefits as well as income taxes withholding due on the lump-sum distribution. This amount will be remitted to the appropriate tax authorities. No further Social Security taxes will be due.
- Your monthly benefit in the form of payment you elected, will be reduced to take into account the lump-sum distribution used to satisfy your Social Security tax obligations.

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Income taxes on plan payments

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Q How are payments that I receive under this Plan taxed for income tax purposes?

A Payments from this Plan are taxed as ordinary income when they are received. Generally, state and local taxes, if any, are withheld based on your state of residency when you receive payment.

If your benefit is paid to you in a lump sum, 27% federal and applicable state and local taxes will be withheld.

If you receive your benefit as a monthly payment and you do not wish standard tax withholding to apply automatically, you must submit an IRS form W-4P.

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Changing withholdings

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Q How do I change my tax withholdings?

A You may change your tax withholding election by completing a new IRS form W-4P. You may get a copy of the form at the IRS website.

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Reported withholdings

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Q How are taxes reported?

A Monthly and lump payments and withholdings are reported on an IRS form W-2. This form is mailed no later than January 31st.

If you die and benefits under this Plan are paid to a contingent annuitant or beneficiary, payments and withholdings are reported on IRS form 1099R. This form is mailed no later than January 31st.

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Annuities purchased prior to 2003

Topics you will find on this page

- Annuities purchased in the past
- Tax Impact of the annuity purchase
- Taxes on annuity payments
- Taxes reported once benefits commence

Annuities purchased in the past

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Q What if annuities had been purchased prior to 2003 for my Benefit Equalization Plan?

A Pursuant to the annuity contracts purchased by the Company, the form and timing of commencement will follow your elected form and timing for your qualified MMC Retirement Plan benefit. These annuities do not have a cash surrender value.

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Tax Impact of the annuity purchase

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Q How are my taxes affected by the Benefit Equalization Plan annuities?

A According to the IRS regulations, amounts used to purchase the annuities were considered taxable W-2 income to you in the year in which the purchase was made. At the time the annuity was purchased, the Company paid the tax authorities an amount sufficient to cover the full estimated tax liability (i.e., both the tax on the annuity purchase, and the tax on the Company's payment of the tax.)

Your benefit under the annuity is adjusted to its after-tax equivalent to be comparable to what you would have received net of taxes under the Plan if no annuity had been purchased.

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Taxes on annuity payments

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Q How are payments that I receive under this Plan taxed for income tax purposes?

A Because the Company paid the taxes on the annuity when it was purchased, a significant portion of your benefit is not taxable to you when benefits are paid. You are responsible, though, for taxes on the portion of your benefit payment that derives from growth in the value of the annuity contract since it was purchased.

Additionally, since the taxes paid when the annuity was purchased was based on your life expectancy any benefit payment made after your expected lifetime are fully taxable.

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Taxes reported once benefits commence

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Q How are taxes reported once benefits commence on annuities that have been purchased?

A The taxable portion of your monthly annuity payment and withholding amounts are reported on an IRS form 1099R once your benefits commence. This form is mailed no later than January 31st.

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Definitions

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- ☐ Benefit commencement date
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- ☐ Benefit service date
- ☐ Covered compensation
- ☐ Deferred retirement date
- ☐ Defined benefit plan
- ☐ Early retirement date
- ☐ Eligible monthly salary
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- ☐ Normal retirement date

- Retired employee
- Retirement Plan calculator
- Tax qualified plan
- Vesting service
- Vesting service date
- Vested termination benefit

Accrued or earned benefit[More](#)

This is the amount of benefit that (1) you have earned to date, as determined under the benefit calculation formula based on your salary and benefit service and (2) is payable at age 65 if you terminate employment and are vested.

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This is the first day of the month in which your benefit from the Plan is paid. Once you elect a benefit commencement date and payments commence, you may not change it.

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Benefit service is used to calculate your benefit amount, and generally includes the number of months and years of salaried employment with the Company. Benefit service begins on your benefit service date and ends on your date of termination of employment. Any month in which you worked at least one hour as a salaried employee of a participating company counts as a full month for benefit service.

If you are placed on a leave of absence (other than for an approved disability or military leave of absence) that is more than 12 months in duration, you will not receive benefit service after the first 12 months of the leave.

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This is the start of your benefit service and, for most salaried employees, is the first of the month in which you worked at least one hour. For example, if you were hired on October 31, your benefit service date would be October 1. Your benefit service date may be determined differently if you became an eligible employee through an acquisition, if you left the Company and were later rehired, or if you had service as an hourly or leased employee or were employed outside the U.S. Your Human Resources Representative can tell you your benefit service date, as

currently maintained in the Company's records; this date can also be found via MMC PeopleLink (www.mmcpeoplelink.com) by accessing, "Information About You" in the Retirement Program Calculator.

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Covered compensation

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This is a set of annually issued Federal Government values of the average of the Social Security maximum Taxable Wage Bases over the 35-year period that ends at your Social Security normal retirement age. The Taxable Wage Base is the maximum amount of compensation recognized in determining your Social Security retirement benefit. (Currently, Social Security normal retirement age is 65 if you were born before 1938; 66 if you were born in 1938 through 1954; and 67 if you were born in 1955 or later. If you have not yet reached your Social Security normal retirement age, the current wage base is projected to your Social Security normal retirement age assuming no increases.) Each year the Federal Government issues an updated Taxable Wage Base Table. A copy of the table can be found on the Internet by accessing: http://www.irs.gov/irb/2004-46_IRB/ar07.html or go to "IRS.gov" and search for "Internal Revenue Bulletin (IRB) 2004-46".

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Deferred retirement date

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If your employment with the Company continues beyond your 65th birthday, your retirement benefit will be deferred, and you will begin receiving your benefit as of the first of the month that immediately follows the day you terminate employment. You will continue to accrue a benefit until you retire.

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Defined benefit plan

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This is a type of retirement benefit plan in which benefits are determined by a formula that usually considers salary and service. The plans in the Retirement Program are all defined benefit plans.

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Early retirement date

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If you have completed at least 60 months of vesting service and are under age 65, you may retire on the first of any month on or after age 55. Your accrued benefit considers salary and service through the end of the month in which you terminate employment. If you retire before age 62 and commence your benefit payments before age 62, your benefit accrued as of December 31, 2005 is reduced by the applicable benefit reduction percentage to reflect the longer payment period. If you retire before age 65, your benefit accrued on or after January 1, 2006 is reduced by the applicable benefit reduction percentage to reflect the longer payment period. Benefits accrued under plans of an acquired company may have different early retirement reductions that apply.

Eligible monthly salary

For the Retirement Plan and Benefit Equalization Plan:

Eligible monthly salary is your monthly base salary paid during periods when you were employed as a salaried employee by a participating MMC company. Salary does not include overtime, bonuses, commissions and

other extra compensation but does include before-tax salary reduction amounts that you may contribute to other programs sponsored by MMC in which you were eligible to participate, such as the Stock Investment Plan or a Flexible Spending Account, but excluding compensation you defer under the Stock Investment Supplemental Plan. The amount of your salary that can be used in determining your eligible monthly salary under the Plan is subject to an annual limit prescribed by the IRS. The annual limit is pro-rated so that your eligible monthly salary cannot exceed one-twelfth of the annual IRS limit in effect for the applicable calendar year.

For the Supplemental Retirement Plan:

Same as above but includes compensation you defer under the Stock Investment Supplemental Plan.

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Final average salary

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For the MMC Retirement Plan and Benefit Equalization Plan:

Final average salary is the average of your highest eligible monthly salary paid during period when you were employed as a salaried employee by a participating MMC company, over a 60 consecutive month period during your employment. Salary does not include overtime, bonuses, commissions and other extra compensation but does include before-tax salary reduction amounts that you may contribute to other programs sponsored by MMC in which you were eligible to participate, such as the Stock Investment Plan or a Flexible Spending Account, but excluding compensation you defer under the Stock Investment Supplemental Plan. The amount of your salary that can be used in determining your final average salary for a qualified plan is subject to an annual limit prescribed by the IRS.

For the Supplemental Retirement Plan:

Same as above but includes compensation you defer under the Stock Investment Supplemental Plan.

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Normal retirement date

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Your normal retirement date is the first day of the month on or after reaching age 65.

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Retired employee

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The Company considers you a retired employee starting the first of the month following the last day for which you are paid (if you are not at that time expected to return to work), provided you are at least age 55 with 60 months of vesting service on that date, or age 65 and over with any amount of service.

Retirement program calculator

The Retirement Program Calculator is a tool you can use to estimate your benefits under the U.S. Retirement Program based on assumptions (selected age expected to retire, salary, years of service, etc.) you choose and also view your prior estimates. The calculator is meant for planning

purposes and only provides an estimate of the final amount you may receive during retirement. The Retirement Program Calculator icon can be accessed via MMC PeopleLink (www.mmcpeoplelink.com).

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Tax-qualified plan

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A plan that satisfies the Internal Revenue Service requirements governing retirement plans and pays benefits within IRS limits and allows the Company to set aside assets in a tax-exempt trust to fund participant benefits, without subjecting participants to tax until they receive distributions from the plan.

The IRS imposes certain limits on tax-qualified plans, such as establishing a maximum amount of salary that can be used to calculate plan benefits, and the maximum benefit that a retirement plan can pay a participant at age 65 and other retirement ages. The government adjusts these limits from time to time. Lower limits applicable for prior years may affect your benefits.

The MMC Retirement Plan is a tax-qualified plan and was last approved by the IRS on July 31, 2002. The 2006 IRS limits for the MMC Retirement Plan are:

- maximum annual pensionable compensation: \$220,000
- annual life annuity benefit at age 65; the lesser of \$175,000 or the average of your highest Company annual compensation over a three consecutive calendar year period.

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Vesting service

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Vesting service is used to determine when you become vested and entitled to a benefit under the U.S. Retirement Program and your eligibility for early retirement, even if you terminate employment before you are eligible to retire. Most employees are vested after completing 60 months of vesting service. However, you are vested at age 65, even if you have less than 60 months of vesting service. Any month in which you worked at least one hour as a salaried employee counts as a full month of vesting service.

Vesting service generally includes the number of months and years of your salaried employment with the Company (that is, your benefit service) but may also include service:

- with an acquired company to the extent determined by the Company Representative
- with an MMC company that does not participate in the U.S. Retirement Program
- pre-merger vesting service recognized under a merged plan
- as an hourly or leased employee if you later became a salaried employee and have at least 1000 hours of service in your employment year.

Vesting service does not include service for employees who declined participation in the Sedgwick Retirement Plan prior to November 1, 1998, except for the one-year waiting period. (Special rules apply to certain former Sedgwick employees.)

If you are placed on a leave of absence (other than for disability or military) that is more than 12 months in duration, you will not receive vesting service after the first 12 months of the leave.

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Vesting service date

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Vesting service date is the date on which your vesting service begins. For most salaried employees, the vesting service date is the same as the benefit service date: the first of the month in which you worked at least one hour. Your vesting service date may vary, however, if you became an eligible employee through an acquisition, if you participated in a plan that was merged into this Plan, if you left the Company and later were rehired, if you had service as an hourly or leased employee, or if you did not work for a participating company. Your vesting service date can be found via MMC PeopleLink (www.mmcpeoplelink.com) by accessing, "Information About You" in the Retirement Program Calculator.

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Vested termination benefit

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This is the benefit you receive if you terminate employment after you are vested but before age 55. You may elect to receive this benefit from the Program on the first of any month following your 55th birthday (or your 55th birthday if your birthday falls on the first of the month), up until your normal retirement date. If you elect to begin receiving benefits before age 65, your benefit is reduced to reflect the longer payment period. You must begin receiving your benefit no later than your normal retirement date (the first of the month on or after age 65).

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EXHIBIT

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Supplemental Retirement Plan



The purpose of the Supplemental Retirement Plan is to provide retirement benefits that supplement benefits from the MMC Retirement Plan, Benefit Equalization Plan and Social Security for the first 25 years of benefit service for a select group of highly-compensated employees.

These questions and answers describe plan provisions dated as of May 10, 2006 and only include information on those significant provisions of the Supplemental Retirement Plan that differ from the MMC Retirement Plan. If you terminated employment before that date, prior plan provisions may determine your benefit.

Note: This document uses a number of defined terms, highlighted in purple; go to the "Definition" section at the end of the SPD for the defined terms' definitions.

Topics you will find on this page

- Eligibility
- Formula
- Transition benefit
- Supplemental Retirement Plan example
- Payment options
- Retirement benefit commencement
- Funding
- Taxes on payment

Eligibility

You are eligible if you are vested in the MMC Retirement Plan and entitled to a benefit under the Supplemental Retirement Plan formula. In general, if your eligible salary is in excess of \$150,000 you may be eligible for a Supplemental Retirement Plan benefit.

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Definitions

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Formula

How is the Supplemental Retirement Plan benefit calculated?

Like the MMC Retirement Plan formula, the Supplemental Retirement Plan formula uses your years of service and your eligible monthly salary on or after January 1, 2006, but employs higher benefit accrual rates for the first 25 years of service.

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Supplemental Retirement Plan Benefits on or after January 1, 2006

The Supplemental Retirement Plan formula for benefits earned each month on or after January 1, 2006) is as follows:

For the first 25 years of benefit service:
2% multiplied by your eligible monthly salary

-MINUS

For the first 25 years of benefit service:
4% multiplied by your monthly Social Security primary insurance amount

-MINUS

Your monthly accrual under the MMC Retirement Plan and Benefit Equalization Plan

EQUALS

Your monthly accrual under the Supplemental Retirement Plan (cannot be less than zero).

There are no accruals under this Plan after the first 25 years of service (inclusive of service prior to January 1, 2006). Accruals for service beyond 25 years do, however, continue under the MMC Retirement Plan and Benefit Equalization Plan.

Supplemental Retirement Plan Benefits Accrued as of December 31, 2005

The Supplemental Retirement Plan formula (for accrued benefits as of December 31, 2005) is as follows:

For the first 25 years of benefit service:
2% of your final average salary as of December 31, 2005 multiplied by your years and months of benefit service as of December 31, 2005

+PLUS (if applicable)

For the next 5 years of benefit service:
1.6% of your final average salary as of December 31, 2005 multiplied by your years and months of benefit service as of December 31, 2005

+PLUS (if applicable)

After 30 years of benefit service:
1% of your final average salary as of December 31, 2005 multiplied by your years and months of benefit service as of December 31, 2005.

Your accrued benefit under this plan will equal the amount determined by the above Supplemental Retirement Plan formula accrued as of December 31, 2005 less the total of: (1) your benefit accrued as of December 31, 2005; plus (2) your Benefit Equalization Plan benefit (if any) accrued as of December 31, 2005; and (3) your estimated maximum Social Security benefit determined as of December 31, 2005 (payable at age 65 or at your Retirement Date if you retire after age 65, and prorated for service less than 25 years).

Transition benefit

Does the transition benefit, as described in the MMC Retirement Plan, apply when calculating my benefit under the Supplemental

Retirement Plan?

Yes, if you are eligible for a transition benefit as described in the MMC Retirement Plan, the same transition benefit rules apply when calculating your benefit under the Supplemental Retirement Plan.

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Supplemental Retirement Plan example**Supplemental Retirement Plan(SRP) Normal Retirement Example:**

No IRS limits on salary (\$220,000 for 2006) apply to the Supplemental Retirement Plan because it is a non-qualified plan.

Let's say you retire on January 1, 2009 (after having turned age 65 on December 15, 2008) and:

- you have 26 years of benefit service and vesting service as of December 15, 2008
- your eligible salary for each year from 2000 through 2008 is as follows:

Year	Eligible Salary
2000	\$220,000
2001	\$232,000
2002	\$243,200
2003	\$252,000
2004	\$258,300
2005	\$264,500
2006	\$270,000
2007	\$280,200
2008	\$289,500

- your final average salary (highest 60 months of salary) as of December 31, 2005 is \$250,000
- your eligible salary for 2006, 2007 and 2008 are \$22,500 per month, \$23,350 and \$24,125 per month, respectively
- you were age 50 or older and had at least 10 years of vesting service on December 31, 2005
- you are eligible for the transition benefit (which means that your accrued benefit earned before 2006 can increase based on increases in your eligible compensation after 2005); for purposes of the transition benefit, your final average salary increases from \$250,000 to \$272,500 (or by 9.0%) from January 1, 2006 to January 1, 2009.
- your benefit for service as of December 31, 2005 is \$94,718 per year calculated under the MMC Retirement Plan and Benefit Equalization Plan (BEP), combined
- your annual accruals for 2006, 2007 and 2008 are \$4,096, \$4,259 and \$4,407, respectively, calculated under the MMC Retirement Plan and BEP combined.

Factors Used to Calculate Benefit

Estimated annual age 65 Social Security benefit calculated as of December 31, 2005	\$22,104
Estimated annual age 65 Social Security benefit calculated as of December 31, 2006	\$23,040 (\$1,920 per month)

Estimated annual age 65 Social Security benefit calculated as of December 31, 2007	\$23,628 (\$1,969 per month)
Estimated annual age 65 Social Security benefit calculated as of December 31, 2008	\$24,360

SRP benefit accrued as of December 31, 2005:

2.0% times \$250,000 times 23 years = \$115,000
Minus
 \$20,336 (prorated Social Security amount of \$22,104 for 23 years of benefit service)
Equals
 \$94,664 per year payable at age 65
Plus
 9.0% of \$94,664 = \$103,184 (to reflect the special transition benefit)
Net SRP benefit (equal to total SRP benefit minus MMC Retirement Plan and BEP benefits)
 \$103,184 minus \$94,718 = \$8,466 per year payable at age 65

SRP benefit for service on and after January 1, 2006:

For 2006:
 2.0% times \$22,500/month = \$450/month
Minus
 4.0% times \$1,920/month = \$77/month
Equals
 \$450 minus \$77 = \$373 monthly accrual
 12 months times \$373/month = \$4,476 annual accrual for 2006
Net of MMC Retirement Plan and BEP accruals
 \$4,476 minus \$4,096 = \$380 per year payable at age 65

Plus, for 2007:
 2.0% times \$23,350/month = \$467/month
Minus
 4.0% times \$1,969/month = \$79/month
Equals
 \$467 minus \$79 = \$388 monthly accrual
 12 months times \$388/month = \$4,656 annual accrual for 2007
Net of MMC Retirement Plan and BEP accruals
 \$4,656 minus \$4,259 = \$397 per year payable at age 65

Plus, for 2008:
 \$0 (There is no accrual in 2008 under the SRP since benefit service is greater than 25 years.)
Equals
 \$380 + \$397 + \$0 = \$777 per year payable at age 65 for accruals from 2006 - 2008

Total Retirement Income

Total accrued SRP benefit as of January 1, 2009:		$\$8,466 + \$777 = \$9,243$ per year payable at age 65
Plus		
Total accrued BEP benefit as of January 1, 2009:		$\$22,186$ per year payable at age 65
Plus		
Total accrued MMC Retirement Plan benefit as of January 1, 2009:		$\$85,293$ per year payable at age 65
Total retirement income:		$\$116,722$ per year payable at age 65

Note: Amounts shown are rounded to the nearest dollar for illustrative purposes. Actual calculations are rounded to nearest penny.

Payment options**More**

If your age 65 monthly benefit from the Supplemental Retirement Plan is \$100 or more, you may elect to receive your Plan benefits in the same form that you elect for your tax-qualified MMC Retirement Plan benefit. You may also be able to elect to receive all or a portion of your benefit from the Supplemental Retirement Plan as a lump sum payment.

- ▶ Making an election
- ▶ Lump sum

For benefits commencing after December 31, 2006, "specified employees" (generally a company's 50 top-paid officers) may not receive a distribution of the Supplemental Retirement Plan benefit that was earned and vested after December 31, 2004, earlier than six months after retirement or termination of employment, except in the case of death.

While your election under the MMC Retirement Plan must be made within 90 days preceding benefits commencement, your election under this Plan must be on file for at least 12 months prior to the date your benefits commence.

[Back to top](#)**Retirement benefit commencement****More**

All retirement benefits may commence as early as age 55 after your Company employment ends. Your benefits will be paid at the same time as your first payment from the MMC Retirement Plan and will be subject to the same reduction factors for early commencement.

[Back to top](#)**Funding****More**

Benefits under this Plan will be paid from the Company's general assets beginning January 1, 2003.

▶ Annuities purchased prior to 2003

Certain annuity purchases were made for prior benefits. See "Prior Annuity Purchase" if you had a prior annuity purchase.

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Taxes on payment

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Benefits under this Plan are subject to federal, Social Security, and state and local taxes, as applicable.

▶ Taxes

The plan requires that your entire Social Security tax obligation relating to your benefit under the Plan be satisfied at the time your benefits commence.

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See also:

- ▶ U.S. Retirement Program
- ▶ U.S. Retirement Program's Plan Administration Description

◀ [Supplemental Retirement Plan home page](#)

Lump sum

Topics you will find on this page

- When payments are made
- Interest rate to calculate lump-sum payment
- Estimating the lump-sum equivalent of your accrued benefit
- Rolling over the lump-sum distribution
- Distribution restrictions for specified employees

When payments are made

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Q If I elect the lump-sum form of payment, when will my payment be made?

A If your age 65 monthly benefit from the Supplemental Retirement Plan is under \$100, a lump sum will be paid automatically at the time your employment terminates.

If you elect the lump-sum form of payment, your lump sum will be paid at the same time as your first payment from the MMC Retirement Plan.

For benefits commencing after December 31, 2006, "specified

employees" (generally a company's 50 top-paid officers) may not receive a distribution of the Supplemental Retirement Plan benefit that was earned and vested after December 31, 2004, earlier than six months after retirement or termination of employment, except in the case of death.

For your benefit that was earned and vested after December 31, 2004, go to the, Making an Election section to review any impact of the new distribution rules imposed by Internal Revenue Code Section 409A on your lump sum payment.

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Interest rate to calculate lump-sum payment

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Q How will the interest rate used in calculating the lump-sum form of payment be determined?

A The interest rate used in the calculation of the lump-sum form of payment will be based on the Moody's Aa effective annual yield for long-term corporate bonds and will be determined each calendar quarter based on a three-month average. The three months are the first two months of the prior calendar quarter and the last month of the calendar quarter prior to that. For example, for benefits commencing in January, February, or March, the rate used will be the average of September, October, and November of the prior year.

Generally, if interest rates are higher, the lump sum value will be lower. This is because you will need less money up front since that lump sum value is assumed to earn more interest. Conversely, if interest rates are lower, the lump sum value will generally be higher. This is because you need a greater up-front amount as the interest earned on that will be less.

Note: The interest rate used to calculate the lump-sum form of payment under this Plan differs from the rate used to calculate a small benefit lump sum under the MMC Retirement Plan.

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Estimating the lump-sum equivalent of your accrued benefit

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Q How can I estimate the lump-sum equivalent of the benefit I have already accrued under the Supplemental Retirement Plan?

A At the time you become eligible to commence benefits, your actual benefit will be calculated, including the lump-sum equivalent if you elect a lump-sum form of payment.

A sample lump-sum calculation is shown below:

Interest Rate	Age when Benefits Commence	Lump-Sum Factor	Lump Sum Equivalent of \$10,000/annual benefit at age 65*
5%	65	11.7941	\$117,941
6%	65	10.8657	\$108,657
7%	65	10.0591	\$100,591
8%	65	9.3541	\$93,541

*Assumes annual benefit payable at age 65 is \$10,000 and that election is on file for at least 12 months prior to the date benefits commence.

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Rolling over the lump-sum distribution

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Q May I roll over the lump-sum distribution to an IRA?

A No. Because the Supplemental Retirement Plan is not a tax-qualified plan, a lump-sum distribution cannot be rolled over to an IRA or other retirement plan eligible to receive rollovers.

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Distribution restrictions for specified employees

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Q Do Section 409A rules impose any limitations on distributions to "specified employees"?

A For Supplemental Retirement Plan benefits commencing after December 31, 2006, "specified employees" (generally a company's 50 top-paid officers) may not receive a distribution of the Supplemental Retirement Plan benefit that was earned and vested after December 31, 2004, earlier than six months after retirement or termination of employment, except in the case of death.

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Supplemental Retirement Plan home page

Making an election

Regulatory guidance issued late in 2005 identifies 2006 as a transition year and provides limited relief for Supplemental Retirement Plan payments commencing in 2006.

MMC reserves the right to make changes to the operating rules under Supplemental Retirement Plan as MMC may determine, in its sole discretion, are necessary or desirable to maintain compliance with Section 409A and other laws. MMC intends to notify you as MMC becomes aware of any additional changes to, or clarifications of, the law or governing rules that affect your participation or benefits under the Supplemental Retirement Plan.

Topics you will find on this page

- [Payment election options](#)
- [When to make an election for a lump sum payment](#)
- [How to make an election](#)
- [Benefit without an election](#)

- ☐ Lump sum election less than 12 months before benefits commence
- ☐ Lump sum election desired but earlier monthly election
- ☐ Monthly election desired but earlier lump sum election
- ☐ Distribution for spouse
- ☐ Changing your form of payment
- ☐ Determining your form of payment

Payment election options

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Q What are my payment election options?

A Payment Option for Vested Monthly Benefit Under \$100

If the value of your accrued vested monthly benefit payable at age 65 is less than \$100, you will automatically receive an equivalent lump sum payment at termination of employment regardless of any election on file.

Payment Option if Annuities were Purchased for a Portion of your Benefit

Pursuant to the annuity contracts purchased by the Company, the form and timing of commencement will follow your elected form and timing for your qualified MMC Retirement Plan benefit.

Payment Options for Benefits Earned and Vested as of December 31, 2004 (as long as the monthly benefit is \$100 or more and no annuity has been purchased for the benefit)

For the portion of benefits earned and vested as of December 31, 2004, you will be paid as monthly payments in the same form and at the same time as you elect under the MMC Retirement Plan unless you made an election for a lump sum payment that has been on file at least 12 months at the time benefits commence.

If your election was not on file for at least 12 months at the time your benefits commence, your benefits will be distributed in a form consistent with your most recent prior election form that has been on file for at least 12 months. If no form has been on file for 12 months, you will be paid as monthly payments in the same form and at the same time as you elect under the MMC Retirement Plan.

You may also elect to change the form of your distribution from the form you would otherwise receive however, if you do so your benefits will be reduced by 6%.

Payment Options for Benefits Earned and Vested after December 31, 2004 (as long as the monthly benefit is \$100 or more and no annuity has been purchased for the benefit)

For the portion of benefits earned and vested after December 31, 2004, benefits will be paid as monthly payments in the same form

and at the same time as you elect under the MMC Retirement Plan. You **do not** have the option to elect this portion of your benefit in the form of a lump sum.

When to make an election for a lump sum payment [More](#)

Q When do I have to make an election in order to receive a lump-sum form of payment?

A For Benefits Earned and Vested as of December 31, 2004

Generally, for your election for benefits earned and vested as of December 31, 2004 to be effective, it must be on file for at least 12 months prior to the date your benefits commence. This 12-month requirement is applicable to all participants regardless of the form of distribution they choose.

If you previously completed a Benefit Equalization and Supplemental Retirement Plan Distribution Election Form and that form has been on file at least 12 months at the time your benefits commence, that form will be deemed to apply to the portion of your Supplemental Retirement Plan benefit that was vested as of December 31, 2004 only. You do not need to complete a new form.

If your election form has not been on file for at least 12 months at the time your benefits commence, it will not be effective. Your benefits will be distributed in a form consistent with your most recent prior election form that has been on file for at least 12 months or, if there is no such form, it will be paid as monthly payments in the same form and at the same time as you elect under the MMC Retirement Plan.

You may elect to change the form of your Supplemental Retirement Plan distribution from the form you would otherwise receive, however, if you do so, your benefits will be reduced by 6%. This reduction is consistent with existing plan terms and administrative rules which were designed based on MMC's interpretation of governing tax law.

For Benefits Earned and Vested after December 31, 2004

Generally, the portion of benefits earned and vested after December 31, 2004, will be paid as monthly payments in the same form and at the same time as you elect under the MMC Retirement Plan. You **do not** have the option to elect this portion of your benefit in the form of a lump sum.

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How to make an election [More](#)

Q How do I make an election?

- A** If you wish to receive a lump-sum distribution for benefits earned and vested as of December 31, 2004, you must complete the Marsh & McLennan Companies Benefit Equalization and Supplemental Retirement Plans Distribution Election Form and return the form as the form instructs. You will be sent an acknowledgement copy of the form for your records within two business days of receipt.

For the portion of your benefit earned and vested after December 31, 2004, you will be paid as monthly payments in the same form and at the same time as you elect under the MMC Retirement Plan. You do not have the option to elect this portion of your benefit in the form of a lump sum.

Benefit without an election

More

- Q** How is my benefit paid if I do not make an election?

- A** If you do not make an election for the portion of your benefit earned and vested as of December 31, 2004, at least 12 months prior to the date your benefits commence, benefits will be paid monthly in the same form and at the same time as payments under the MMC Retirement Plan.

For the portion of your benefit earned and vested after December 31, 2004, you will be paid as monthly payments in the same form and at the same time as you elect under the MMC Retirement Plan. You do not have the option to elect this portion of your benefit in the form of a lump sum.

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Lump sum election less than 12 months before benefits commence

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- Q** What if I want a lump sum election, but my Distribution Election Form has not been on file for at least 12 months before my benefits commence?

- A** If you would like a lump-sum distribution for benefits earned and vested as of December 31, 2004 and an election form is not on file for at least 12 months prior to the date your benefits commence, you may receive your distribution in a lump sum, although it will be subject to a 6% reduction in the lump-sum value of your Plan benefits.

You do not have the option to elect the portion of your benefit earned and vested after December 31, 2004, in the form of a lump sum.

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Lump sum election desired but earlier monthly election

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- Q** What if I want a lump sum election, but I have a valid Distribution Election Form on file electing a monthly form of payment?

- A** If you would like a lump sum distribution for benefits earned and

vested as of December 31, 2004 and an election form electing a lump sum form of payment is not on file for at least 12 months prior to the date your benefits commence, you may receive a lump sum form of payment, although it will be subject to a 6% reduction.

You do not have the option to elect the portion of your benefit earned and vested after December 31, 2004, in the form of a lump sum.

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Monthly election desired but earlier lump sum election

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Q What if I want a monthly election, but I have a valid Distribution Election Form on file electing a lump-sum form of payment?

A If you would like a monthly distribution for benefits earned and vested as of December 31, 2004 and an election form electing a monthly form of payment is not on file for at least 12 months prior to the date your benefits commence, you may receive a monthly form of payment, although it will be subject to a 6% reduction.

For the portion of your benefit earned and vested after December 31, 2004, you will be paid as monthly payments in the same form and at the same time as you elect under the MMC Retirement Plan. You do not have the option to elect this portion of your benefit in the form of a lump sum.

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Distribution for spouse

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Q Can I elect a distribution method for my spouse now in the event that I die before commencing benefits from the Supplemental Retirement Plan?

A Your spouse may be eligible for a benefit if you have been married for at least 12 months at the time of your death. You may elect a distribution method for your spouse in the event that if you die before benefits from these plans have been paid. If no election is made for your spouse, benefits from the Supplemental Retirement Plan will be paid monthly for your spouse's lifetime. Your spouse may not change your distribution election after your death.

Spousal benefits are also paid from the Company's general assets.

Note: Your domestic partner is not considered your spouse.

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Changing your form of payment

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Q May I change the form of payment after my benefits commence?

A No. Once your benefits begin you may not change or revoke your election.

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Determining your form of payment

[More](#)

Q How can I determine the form of payment that is right for me?

A Because many factors should be considered when electing a form of payment, you may want to seek the advice of a tax and estate planning professional to determine the best form of payment for your situation.

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Taxes

Topics you will find on this page

- Social Security tax on plan payments
- Income taxes on plan payments
- Changing withholdings
- Reported withholdings

Social Security tax on plan payments

[More](#)

Q How are payments that I receive under this Plan taxed for Social Security tax purposes?

A Unlike the U.S. Retirement Plan, payments received under this Plan are subject to Social Security tax.

If your benefit is paid to you in a lump sum, Social Security tax will be withheld from your lump-sum payment.

If your benefit is paid to you monthly, in order to satisfy your Social Security tax obligation you will receive your Plan benefits in two parts:

- The Plan will make a lump-sum distribution at the time you elect to have benefits commence to satisfy your entire Social Security tax obligation on your Plan benefits as well as income taxes withholding due on the lump-sum distribution. This amount will be remitted to the appropriate tax authorities. No further Social Security taxes will be due.
- Your monthly benefit in the form of payment you elected, will be reduced to take into account the lump-sum

distribution used to satisfy your Social Security tax obligations.

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Income taxes on plan payments

[More](#)

Q How are payments that I receive under this Plan taxed for income tax purposes?

A Payments from this Plan are taxed as ordinary income when they are received. Generally, state and local taxes, if any, are withheld based on your state of residency when you receive payment.

If your benefit is paid to you in a lump sum, 27% federal and applicable state and local taxes will be withheld.

If you receive your benefit as a monthly payment and you do not wish standard tax withholding to apply automatically, you must submit an IRS form W-4P.

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Changing withholdings

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Q How do I change my tax withholdings?

A You may change your tax withholding election if your benefit is paid to you monthly by completing a new IRS form W-4P. You may get a copy of the form at the IRS website.

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Reported withholdings

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Q How are taxes reported?

A Monthly and lump payments and withholdings are reported on an IRS form W-2. This form is mailed no later than January 31st.

If you die and benefits under this Plan are paid to a contingent annuitant or beneficiary, payments and withholdings are reported on IRS form 1099R. This form is mailed no later than January 31st.

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Annuities purchased prior to 2003

Topics you will find on this page

- Annuities purchased in the past
- Tax Impact of the annuity purchase
- Taxes on annuity payments

- Taxes reported once benefits commence

Annuities purchased in the past

[More](#)

Q What if annuities had been purchased prior to 2003 for my Supplemental Retirement Plan?

A Pursuant to the annuity contracts purchased by the Company, the form and timing of commencement will follow your elected form and timing for your qualified MMC Retirement Plan benefit. These annuities do not have a cash surrender value.

For your benefit that was earned and vested after December, 31, 2004 and for which MMC purchased annuities, go to the, Making an Election section to review any impact of the new distribution rules imposed by Internal Revenue Code Section 409A.

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Tax Impact of the annuity purchase

[More](#)

Q How are my taxes affected by the Supplemental Retirement Plan annuities?

A According to the IRS regulations, amounts used to purchase the annuities were considered taxable W-2 income to you in the year in which the purchase was made. At the time the annuity was purchased, the Company paid the tax authorities an amount sufficient to cover the full estimated tax liability (i.e., both the tax on the annuity purchase, and the tax on the Company's payment of the tax.)

Your benefit under the annuity is adjusted to its after-tax equivalent to be comparable to what you would have received net of taxes under the Plan if no annuity had been purchased.

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Taxes on annuity payments

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Q How are payments that I receive under this Plan taxed for income tax purposes?

A Because the Company paid the taxes on the annuity when it was purchased, a significant portion of your benefit is not taxable to you when benefits are paid. You are responsible, though, for taxes on the portion of your benefit payment that derives from growth in the value of the annuity contract since it was purchased.

Additionally, since the taxes paid when the annuity was purchased was based on your life expectancy any benefit payment made after your expected lifetime are fully taxable.

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Taxes reported once benefits commence

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Q How are taxes reported once benefits commence on annuities that have been purchased?

A The taxable portion of your monthly annuity payment and withholding amounts are reported on an IRS form 1099R once your benefits commence. This form is mailed no later than January 31st.

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Definitions

Topics you will find on this page

- [Accrued or earned benefit](#)
- [Benefit commencement date](#)
- [Benefit service](#)
- [Benefit service date](#)
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Accrued or earned benefit[More](#)

This is the amount of benefit that (1) you have earned to date, as determined under the benefit calculation formula based on your salary and benefit service and (2) is payable at age 65 if you terminate employment and are vested.

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This is the first day of the month in which your benefit from the Plan is paid. Once you elect a benefit commencement date and payments commence, you may not change it.

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Benefit service is used to calculate your benefit amount, and generally includes the number of months and years of salaried employment with the Company. Benefit service begins on your benefit service date and ends on your date of termination of employment. Any month in which you worked at least one hour as a salaried employee of a participating company counts as a full month for benefit service.

If you are placed on a leave of absence (other than for an approved disability or military leave of absence) that is more than 12 months in duration, you will not receive benefit service after the first 12 months of the leave.

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This is the start of your benefit service and, for most salaried employees, is the first of the month in which you worked at least one hour. For example, if you were hired on October 31, your benefit service date would be October 1. Your benefit service date may be determined differently if you became an eligible employee through an acquisition, if you left the Company and were later rehired, or if you had service as an hourly or leased employee or were employed outside the U.S. Your Human Resources Representative can tell you your benefit service date, as currently maintained in the Company's records; this date can also be found via MMC PeopleLink (www.mmcpeoplelink.com) by accessing, "Information About You" in the Retirement Program Calculator.

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This is a set of annually issued Federal Government values of the

average of the Social Security maximum Taxable Wage Bases over the 35-year period that ends at your Social Security normal retirement age. The Taxable Wage Base is the maximum amount of compensation recognized in determining your Social Security retirement benefit. (Currently, Social Security normal retirement age is 65 if you were born before 1938; 66 if you were born in 1938 through 1954; and 67 if you were born in 1955 or later. If you have not yet reached your Social Security normal retirement age, the current wage base is projected to your Social Security normal retirement age assuming no increases.) Each year the Federal Government issues an updated Taxable Wage Base Table. A copy of the table can be found on the Internet by accessing: http://www.irs.gov/irb/2004-46_IRB/ar07.html or go to "IRS.gov" and search for "Internal Revenue Bulletin (IRB) 2004-46".

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Deferred retirement date

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If your employment with the Company continues beyond your 65th birthday, your retirement benefit will be deferred, and you will begin receiving your benefit as of the first of the month that immediately follows the day you terminate employment. You will continue to accrue a benefit until you retire.

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Defined benefit plan

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This is a type of retirement benefit plan in which benefits are determined by a formula that usually considers salary and service. The plans in the Retirement Program are all defined benefit plans.

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Early retirement date

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If you have completed at least 60 months of vesting service and are under age 65, you may retire on the first of any month on or after age 55. Your accrued benefit considers salary and service through the end of the month in which you terminate employment. If you retire before age 62 and commence your benefit payments before age 62, your benefit accrued as of December 31, 2005 is reduced by the applicable benefit reduction percentage to reflect the longer payment period. If you retire before age 65, your benefit accrued on or after January 1, 2006 is reduced by the applicable benefit reduction percentage to reflect the longer payment period. Benefits accrued under plans of an acquired company may have different early retirement reductions that apply.

Eligible monthly salary

For the MMC Retirement Plan and Benefit Equalization Plan:

Eligible monthly salary is your monthly base salary paid during periods when you were employed as a salaried employee by a participating MMC company. Salary does not include overtime, bonuses, commissions and other extra compensation but does include before-tax salary reduction amounts that you may contribute to other programs sponsored by MMC in which you were eligible to participate, such as the Stock Investment Plan or a Flexible Spending Account, but excluding compensation you defer under the Stock Investment Supplemental Plan. The amount of your salary that can be used in determining your eligible monthly salary under the Plan is subject to an annual limit prescribed by the IRS. The annual limit is pro-rated so that your eligible monthly salary cannot exceed one-

twelfth of the annual IRS limit in effect for the applicable calendar year.

For the Supplemental Retirement Plan:

Same as above but includes compensation you defer under the Stock Investment Supplemental Plan.

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Final average salary

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For the MMC Retirement Plan and Benefit Equalization Plan:

Final average salary is the average of your highest eligible monthly salary paid during period when you were employed as a salaried employee by a participating MMC company, over a 60 consecutive month period during your employment. Salary does not include overtime, bonuses, commissions and other extra compensation but does include before-tax salary reduction amounts that you may contribute to other programs sponsored by MMC in which you were eligible to participate, such as the Stock Investment Plan or a Flexible Spending Account, but excluding compensation you defer under the Stock Investment Supplemental Plan. The amount of your salary that can be used in determining your final average salary for a qualified plan is subject to an annual limit prescribed by the IRS.

• For the Supplemental Retirement Plan:

Same as above but includes compensation you defer under the Stock Investment Supplemental Plan.

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Normal retirement date

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Your normal retirement date is the first day of the month on or after reaching age 65.

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Retired employee

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The Company considers you a retired employee starting the first of the month following the last day for which you are paid (if you are not at that time expected to return to work), provided you are at least age 55 with 60 months of vesting service on that date, or age 65 and over with any amount of service.

Retirement program calculator

The Retirement Program Calculator is a tool you can use to estimate your benefits under the U.S. Retirement Program based on assumptions (selected age expected to retire, salary, years of service, etc.) you choose and also view your prior estimates. The calculator is meant for planning purposes and only provides an estimate of the final amount you may receive during retirement. The Retirement Program Calculator icon can be accessed via MMC PeopleLink (www.mmcpeoplelink.com).

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Tax qualified plan

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A plan that satisfies the Internal Revenue Service requirements

governing retirement plans and pays benefits within IRS limits and allows the Company to set aside assets in a tax-exempt trust to fund participant benefits, without subjecting participants to tax until they receive distributions from the plan.

The IRS imposes certain limits on tax-qualified plans, such as establishing a maximum amount of salary that can be used to calculate plan benefits, and the maximum benefit that a retirement plan can pay a participant at age 65 and other retirement ages. The government adjusts these limits from time to time. Lower limits applicable for prior years may affect your benefits.

The MMC Retirement Plan is a tax-qualified plan and was last approved by the IRS on July 31, 2002. The 2006 IRS limits for the MMC Retirement Plan are:

- maximum annual pensionable compensation: \$220,000
- annual life annuity benefit at age 65 (the benefit limit is lower at younger retirement ages and higher after age 65): the lesser of \$175,000 or the average of your highest Company annual compensation over a three consecutive calendar year period

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Vesting service

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Vesting service is used to determine when you become vested and entitled to a benefit under the U.S. Retirement Program and your eligibility for early retirement, even if you terminate employment before you are eligible to retire. Most employees are vested after completing 60 months of vesting service. However, you are vested at age 65, even if you have less than 60 months of vesting service. Any month in which you worked at least one hour as a salaried employee counts as a full month of vesting service.

Vesting service generally includes the number of months and years of your salaried employment with the Company (that is, your benefit service) but may also include service:

- with an acquired company to the extent determined by the Company Representative
- with an MMC company that doesn't participate in the U.S. Retirement Program
- pre-merger vesting service recognized under a merged plan as an hourly or leased employee if you later become a salaried employee and have at least 1000 hours of service in your employment year.

Vesting service does not include service for employees who declined participation in the Sedgwick Retirement Plan prior to November 1, 1998, except for the one-year waiting period. (Special rules apply to certain former Sedgwick employees.)

If you are placed on a leave of absence (other than for disability or military) that is more than 12 months in duration, you will not receive vesting service after the first 12 months of the leave.

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Vesting service date[More...](#)

Vesting service date is the date on which your vesting service begins. For most salaried employees, the vesting service date is the same as the benefit service date: the first of the month in which you worked at least one hour. Your vesting service date may vary, however, if you became an eligible employee through an acquisition, if you participated in a plan that was merged into this Plan, if you left the Company and later were rehired, if you had service as an hourly or leased employee, or if you did not work for a participating company. Your vesting service date can be found via MMC PeopleLink (www.mmcpeoplelink.com) by accessing, "Information About You" in the Retirement Program Calculator.

[Back to top](#)**Vested termination benefit**[More...](#)

This is the benefit you receive if you terminate employment after you are vested but before age 55. You may elect to receive this benefit from the Program on the first of any month following your 55th birthday (or your 55th birthday if your birthday falls on the first of the month), up until your normal retirement date. If you elect to begin receiving benefits before age 65, your benefit is reduced to reflect the longer payment period. You must begin receiving your benefit no later than your normal retirement date (the first of the month on or after age 65).

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